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STRUCTURAL PROBLEMS OF INDUSTRIAL DEVELOPMENT AND THE POLICIES OF PROMOTION

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STRUCTURAL PROBLEMS OF INDUSTRIAL DEVELOPMENT AND THE POLICIES OF PROMOTION

By

ADOLFO DORFMAN (x)

1. The countries of Latin America are going through a process of structural change which takes the form of the diversification of cattle raising, agriculture and mining, which were the mainstay of the old structure, and a new emphasis on industrial activity. The scope and reach of these changes vary from country to country, but commerce is usually the sphere in which the greatest changes occur, as the bare subsistence level of production and consumption is only slightly affected and may remain in some cases untouched by the transformations occurring elsewhere. Nevertheless, the social and institutional impact is very great. The differences to be found in their present day productive activities are fundamental and can be seen in low coefficients of capitalization and mechanization per unit of product or man employed (whether land worker or craftsman) and in outmoded working methods resulting in a large labour force and low output. The problem is, therefore, partly one of technology and partly one of investment, and spreads over the spheres of capitalization and operation. It is in these sectors that maximum potential growth of Indo-America's domestic markets lies both because of its large population and its present low levels of productivity and consumption. The chances of obtaining a quicker return from marginal investments in agriculture and crafts would be good, were it not for the need simultaneously to invest large sums in the rudimentary economic and social infrastructure in which the ratio of return to outlay is very low and the time taken to mature a long one. Thus inequalities of income and forms of production are formidable obstacles to industrial progress. To overcome them is a very difficult, costly and slow process which will yield no significant short or medium term returns.

2. The structural changes mentioned began to take place in 1940 in some of the more developed countries of Latin America, gathered momentum during the war and have continued since with fluctuations. Moreover, they are now appearing in countries which hitherto lacked industries or in which industrialization was in its infancy. It is thus possible to study the development of industrialization over a quarter of a century in countries faced with different internal and external situations and pursuing different economic policies, whether or not government controlled. The various stages of this process can be classified and related to determining factors.

(x) The author is an official of the U.N. Economic Commission for Latin America, but the views expressed here are his own. Owing to limitations of space imposed by the rules of the present conference, his treatment of some problems is extremely brief and in bare outline. Certain relevant topics had to be omitted.

3. A few words must first be said about crafts and craft occupations in town and country. Their incidence varies in the different countries, and they mark the transition to an industrial age. At one end of the scale there are countries such as Argentina, Uruguay and Brazil, and at the other Ecuador, Bolivia, Peru, Colombia and El Salvador. Among the former 10 to 15% of the employed are engaged in craft occupations, whilst among the latter with their large Indian element the majority employed (50 to 80%) are so engaged. The indices in respect of the value of handicrafts are somewhat lower. Non-industrial craft work in the towns is in part merely a transplantation of rural crafts and is to a much greater extent a reflection of the spreading out of auxiliary industrial work and personal services in towns to home-workers. Apart from traditional weaving and pottery, there are numerous small workshops and repair shops lacking modern machinery and capital. Consequently, one of the features of "industrial" development in many countries, viz. the prominence of crafts and craft occupations, has deep social and economic roots and poses major problems with regard to the rationalization of the industrial structure by the organization of bigger and more efficient operational units.

4. Since before the war, the contribution of manufacturing industries to the gross national product has been growing in Latin America: from an average of 12% it rose to 21% by 1960, and rose no higher than this because of backwardness in some countries. In the same period, the increase in industrial output was double that of other sectors of production. The three countries which together account for more than two-thirds of Latin America's total industrial output concentrate more than 21% of their respective gross national product in manufactures. The remainder come lower down the scale up to less than 10%. With this marked increase in the output of the industrial sector, which is accompanied by a relative (and sometimes absolute) fall in agricultural and cattle raising output, the internal industrial structure of the more advanced countries shows signs of maturity. By 1940, over 60% of their gross national product was derived from non-durable consumer goods, such as foodstuffs and clothing, and by 1960 the proportion was 45%. Meanwhile, chemicals and metals rose from a mere 20 to 25% to 40%, the larger share going to the heavy industries in these categories. For Latin America as a whole, the proportion of the two groups is now probably just over 50% and 30% respectively.

5. Industrial production in Latin America rose by 80% between 1950 and 1960, but while consumer goods rose by 40% (keeping in step with population growth), heavy and semi-heavy industries rose by 100%. Thus growth of industrial production outstripped that of domestic consumption in the same period, and this was largely due to less dependence on imports. By 1960, the structure of production in the more industrialized group of Latin American countries was approximately as follows: consumer goods 50%, unfinished goods 40% (barely half of which were metal goods and chemicals), and capital goods 10%. In Latin America as a whole, heavy and semi-heavy metal goods and chemicals for the home market account for no more than 15% of industrial output. Only one-third of the output of the chemical industries takes the form of unfinished goods, one-third of which are in turn basic materials. To appreciate these trends it must be remembered that in Mexico between 1950 and 1960, manufactures of non-consumer goods increased three times faster than manufactures of consumer goods, and in Brazil twice as fast as in Mexico.

6. To understand the structural aspects of these changes better, one must analyse and compare the changes that have been taking place in the pattern of Latin American imports. In the last 20 years, in relative terms, imports of consumer goods fell to less than half, whilst imports of unfinished goods were doubled and imports of machinery and plant rose by 50%. Fuel imports remained stationary. The figures are respectively: from about 50 to 20% for consumer goods; from over 20 to over 40% for unfinished goods; from over 20 to 30% for capital goods; and 10% for fuels. Among the imports of consumer goods the greater share went to non-durables, since durables are brought in mainly as parts or components for assembly or processing after entry. Among the unfinished goods imported it is necessary to distinguish between (a) simple materials such as natural textile fibres and cement (domestic production of which is rising rapidly with the spread of industrialization); (b) semi-finished metals and basic chemicals (typical of the intermediate stages of industrialization in which processing industries depend to a very marked degree on such imports); and (c) metal components and more complex chemicals (characteristic of a more advanced stage of industrialization). Among the non-consumer goods, machinery and industrial plant represent 60% and vehicles 25% of the total.

7. The well-known phenomenon of urban growth is associated with industrialization, and this from the point of view of development, implies a concentration of basic services and production in centres of local expansion. From before the war to 1960, urban population in Latin America rose at about twice the rate of rural population, though rather unevenly from country to country. This fact reveals the massive flight from the country to the towns: between one-third and two-thirds of urban population increase stems from causes other than natural increases. Whereas before the war barely 35% of the population was urban, the proportion had by 1960 risen to over 45% and nearly half of this number lived in cities of over 100,000 inhabitants.

8. Generally speaking, in those countries with a relatively small domestic market which have more recently embarked on an industrialization programme production of consumer goods, and more especially non-durables, takes pride of place. The other categories of production are almost completely absent, and this is true particularly of Central America, Ecuador, Uruguay and Bolivia. In the older industrialized countries, however, there is a certain emphasis on the production of capital goods and semi-manufactures. Light industries have thus become a more organic part of the structure. They give rise to the demand for unfinished materials and plant, and are themselves the product of growing home demand. Three phases may be distinguished:

(a) Following a considerable increase in light industries, completion of 'backward linkage' there comes a period marked by the establishment of heavy industries producing unfinished materials (especially metals) and the partial production of some plant and vehicles (Brazil and, to a lesser extent, Mexico).

(b) Similar to the above, but with this important difference, that industries producing basic materials have declined with serious effects on the balance of payments (as in Argentina).

(c) Less growth and consolidation of light industries and continued reliance on imports of unfinished materials,

despite a slight expansion in agriculture (Colombia); nevertheless, production of basic materials for a small domestic market is being encouraged relying, as in the case of Chile (iron, steel and paper), on export markets.

9. On top of all this, certain features that arise from qualitative and quantitative differences in the distribution of natural resources must be regarded as a basic factor of industrialization and its problems. In the period under examination certain changes have also taken place in this sector, partly as a result of industrialization and partly as a result of external demands. A typical case of abundant agricultural and livestock resources is to be found in Argentina, where obstacles to the establishment of light industries were overcome without much difficulty. The trend towards the heavy mining industry is of special importance in the present stage of structural consolidation. Iron and steel manufacture is more easily established in those countries which, like Brazil, Chile, Peru and Venezula, export iron ore since the diversion of part of the output to the home market presents no problem). Mexico is a special case: an iron and steel industry has been set up there, even though Mexico is not an exporter of ore, whereas Argentina imports ore etc. for its iron and steel industry. In any case, geographical location will be subordinated to a number of factors such as power supplies, technology, overheads, which determine the optimum choice. The tendency even in countries which are not oil-producing, to refine the greater part of the oil locally consumed, is now widespread throughout the world; and in Latin America, too, refineries are being set up. Different situations arise according to whether countries have their own oil resources, which need not be a decisive factor; or whether they are large exporters of oil (Venezuala, Colombia and Mexico); whether growing domestic demand has outstriped new oil finds (Ecuador, Peru and Bolivia); or whether partial production obtains (Brazil and Chile), but Argentina is the outstanding exception.

10. In short, four characteristic situations may be reached in countries in process of industrialization; (a) A relatively balanced development of industry, cattle raising and agriculture (possibly at low and medium levels, helping 'backward linkage' or following an independent course); (b) Industrial growth at the expense of agriculture; (c) Excessive growth of consumer goods production, accompanied by a disproportionate rise in imports of semi-finished and capital goods; and (d) Growth of basic industries harmonizing to some extent with growth in the consumer goods sector.

11. Industrialization begins, as is natural, with the simpler technicological operations that involve less density of capital per unit of product or operative. Production is concentrated on those consumer goods for which there exist big, ready-made home markets, the growth of which is favoured by the rapid urbanization taking place in Latin America.

The possibilities of this easy and inexpensive method of substituting local products for imports are soon exhausted because of the relative smallness of domestic markets even in those countries with the highest national income. The next stage, some phases of which may seem rudimentary or even more advanced, is reached simultaneously with the expansion of light industry. In many countries the first

stage is prolonged, without passing the point at which it would have been economic. Nevertheless, it represents a step forward for the national economy, even though earnings from exports are largely offset by increased imports of semi-finished goods and capital equipment. Much depends on production cost structure. Where manpower is abundant, as is generally the case, and some of the raw materials are available locally (foodstuffs and textiles), not only is a greater degree of industrialization achieved with greater opportunities of productive employment, but also an easing of the balance of payments situation. This is similarly true of the terreous building materials sector. In the case of durables, however, the picture changes: here the requirements of basic materials and machinery (and thus directly or indirectly, imports) will be considerable, and income less than the cost of importing the final product.

12. Thus disequilibrium often arises between industries making finished products and those producing unfinished materials. The result has been so far that the greater part of the imports of the countries in process of industrialization consists of unfinished materials, fuels and capital equipment. These were always imported in large quantities, however, except that previously they were required mainly for public works (transport, and urban engineering) or mining, whereas nowadays they provide a stable base for industry. Therein lies the dynamic difference between the two periods, and their strategic effects as well. If a country with limited foreign currency reserves were unable to import the necessary quantities of plant and unfinished materials, its industrial activities would grind to a halt, with serious repercussions on supplies and employment. The industrial structure continues to expand, but at the same time its external vulnerability increases as transitional practices continue. Hence the importance of its consolidation, completing the intermediate stages and correcting disequilibrium wherever possible.

13. The dynamics of industrial development reveal features which vary according to the original impetus, the characteristics, structure and trends of the domestic market, and the manner of satisfying home demand. It follows that the process of industrialization tends to be associated with the substitution of local products for imports (actual or potential), and the course it takes will be clearly marked by stages peculiar to each case. Typically, four main stages of industrial establishment may be distinguished: (a) 'backward linkage' or towards original impetus, (b) 'forward linkage' with rising industrial demand, (c) radial expansion through growth of auxiliary industries, and (d) heavy industry.

(a) The manufacture of light consumer goods (durable or not) very often continues for years without going beyond the most elementary processes. It is geared to market requirements for the final product, and the firms concerned are generally capable of large-scale production, but their technology is not very involved, and capital investment per operative is moderate or relatively low. The

substitution cycle begins with industry using mainly farming raw materials, for those industrial activities (such as foodstuffs and clothing) which are more truly representative of the early stages of industrialization, or unfinished materials for assembly or production of consumer durables. Of course, this process does not recur with the same regularity or in the same sequence in all industries: in some it may begin with a more advanced level of manufacture than in others; or, two or more consecutive phases of the process may occur almost simultaneously. The important thing is that the switch to home production stops when farming products cease to be available locally, or when the immaturity of its industrial structure (or the smallness of the domestic market) prevents the manufacture on an adequate scale of certain unfinished materials, mainly metals and chemicals. In other words, those activities depend to a fair extent on imports of unfinished and raw materials. Thus the problems of integrated growth and the substitution of local production for imports are merely shifted to a different plane without being solved.

(b) As regards the manufacture of capital goods, such as machinery and plant, its introduction is to some extent the opposite of the case just described. It is based on the prior existence of certain semi-heavy industries, and its products are geared to industrial demand and the needs of other sectors of the economy. In this case, the substitution cycle begins with mining or other industries and requires major capital investment, a scale of production often in excess of the capacity of the local market in an underdeveloped country, complex technology (special or high-precision machinery) or simpler, almost traditional techniques (mass produced machinery and plant). From a point of view of industrial chronology, it calls for a more developed industrial and economic structure, capable of producing a sufficiently large and varied demand for such capital goods and justifying the setting up of heavy industries producing unfinished materials.

(c) The third class consists of industries supplying components for the use of similar industries, viz. engineering products and chemicals. Industries of this type only arise when those to which they are complementary have reached a fairly advanced stage of development. Thus, for example, engineering industries are complementary to the motor vehicle, tractor and machinery industries which require thousands of different parts or components, all mass produced in more or less regular quantities. Heavy chemicals appear at an even more advanced stage of industrialization, to supply firms making such traditional products as textiles, paper and

soap in early stages. They interlock with other industries and exist not so much for particular manufacturing processes as by virtue of the dynamism and vitality of the industry as a whole.

(d) Finally, the fourth class constitutes, directly or indirectly, the basis for the development of the three others and the entire industrial structure. It comprises industries making heavy unfinished materials (metals and chemicals) and its establishment forms part of the cycle. These industries require major investments and their technology can be quite complex (cement, traditional iron and steel, special alloys, synthetic chemical products). Mining completes the cycle.

14. Like every brief analysis, this last one suffers from omissions and may appear mechanistic. To avoid misunderstandings, it must be pointed out that the real sequence of stages and phases in their intricate connections is very complex and distinctive when seen in the dynamic reality of each country and period of history, and naturally depends on the magnitude and structure of national income, natural resources, technology, demography, government policy, etc. However, the general lines of this analysis are not thereby invalidated and do reveal the general structure of the process of industrialization.

15. Here are some examples of the steps by which industries representative of each group have grown up (importing and manufacturing stages being linked):

(a) i. Non-durable consumer goods: edible oils (seeds); clothing (cloth, spun goods, fibres); drugs and medicines (bulk imports of ingredients, partial manufacture);

ii. Durable consumer goods: paints (industrial oils, pigments); household electrical equipment, such as radios, refrigerators, etc. (parts imported for assembly, and subsequent partial or total manufacture locally).

(b) Miscellaneous equipment and installations for industry, mining, construction, etc; and vehicles: some parts imported for local assembly, others made locally (similarity of development in each case), until the process is completed in some cases (machine parts, auxiliary electrical plant, wire and cable, tyres (or rims) and semi-finished metals).

(c) The auxiliary engineering industries are grouped around the production of the goods in class (b) above, for which they supply various parts; the auxiliary chemical industries, strictly speaking, belong to class (d),

since they supply basic ingredients to other industries (alkalis, acids, petrochemicals).

16. The difference between the demands analyzed above is sufficiently clear in the early days of industrialization. As time goes on, however, it grows less perceptible because of the increasing dependence of traditional industries on synthetic materials (altering the industry-agriculture cycle to an industry-synthetics cycle) whereas the more dynamic manufactures, such as consumer durables, create increasing demands for semi-finished metals. Moreover, the increasing automation and mechanization of light industries results in a greater need for capital in relation to labour, and also in relation to production cost, but to a lesser extent. Hence the appearance of a greater number of more complex industrial connections and increased dependence on imports (especially textiles), even though domestic production of raw materials is adequate (wool and cotton). The same is true of paints: natural mineral pigments give way to synthetic anilines, and vegetable oils to lacquers. The case of natural and synthetic rubber, is somewhat similar although here - owing to the fact that almost every country imports natural rubber, whilst domestic production of synthetic rubber is spreading thanks to petrochemicals - the position is to some extent the reverse of what has been observed in the case of natural and synthetic fibres.

17. The distinctive characteristics of the four industrial classes are shown in the following table (see page).

18. Thus, whatever the original impetus to the substitution of home-made products for imports, whether of consumer or capital goods, and the commencement of industrialization, the process generally stops at the production of chemical and heavy metal goods which are essential to its processes. This is reflected in changed patterns of imports in which unfinished materials assume increasing importance. If it occurred simultaneously throughout the whole of industry, the result would be a uniform and continuous increase in imports of materials in a progressively less advanced state of manufacture. This is not of course in fact the case. In the complex constellation of industries, the degree to which they are nationally integrated, their characteristics and establishment dates, all vary considerably and their import requirements just as much. Consequently, at any given moment, whilst one class of home-made articles reaches the limit up to which it can replace imports by now importing only raw materials, or no materials at all, others move into intermediate positions with the result that a certain proportion of consumer goods (relatively less as industrialization progresses) and a wide range of materials of varying degrees of manufacture are imported. Simultaneously, machinery, plant, vehicles and components, are brought in on an increasing scale. The final outcome of these developments is a trend toward increased imports of materials of a minimum degree of manufacture (with more complex materials tending to predominate) and components of capital goods particularly the most specialized kinds.

19. This change to a new pattern of imports raises new problems of supply bottle-necks, the growing importance of indirect imported

components, new cost structures for a different stage of production, effects of remittances of profits on net gains to the balance of payments, etc.

20. An attempt has been made to relate the factors of industrialization and the replacement of imports in a diagram and a graph (not included here for the sake of brevity). The diagram is arranged in columns showing the four classes and sub-classes, and in each column are listed types of unfinished materials and plant required, whether locally made or partly imported. In the graph, finished and unfinished products are indicated by ordinates and abscissae. Families of curves (one for each branch of industrial production) their growth and varying dependence on imports. Because of the unpredictable and manifold uses that can be found for the main types of industrial products (basic unfinished and capital goods) and which increase with progress, the inter-dependence of the main sectors of industrial production and imports during the various stages of industrialization is inevitably sketchy and not easily pinpointed.

21. Some important conclusions emerge from the foregoing analysis:

(a) Industrialization begins with intensive substitution of home-made light goods for foreign imports, and a consequent increase in imports of essential semi-manufactured goods and the plant for manufacturing these.

(b) Recent industrial expansion is not the end of 'backward linkage' but stimulates a demand for complementary imports.

(c) Immaturity of the industrial structure leads to vulnerability when the supply position is critical.

(d) Consequently, heavy industry is the critical sector of convergence, whether as regards integration of consumer goods production or more highly specialized production.

(e) In countries where a certain level of industrialization has been attained, but where there is an adverse trade balance, heavy industry at once solves the problem of supplies, of integration of the industrial structural base, and of balance of payments.

(f) The need for an integrated, coherent and homogeneous approach to the industrialization process as an essential basis for a rational, efficient policy of promotion is confirmed.

22. In that process, the governments of Latin America reserve for themselves either exclusive control of, or a major share in, certain basic or strategic sectors which are generally: strategic military industries, electric power, mining and oil refining, iron and steel, and some chemical industries. The degree of state participation varies according to industrial sector, country and period of history. This

also happens in some Asian countries, where state enterprise accounts for between 20 and 40% of total industrial and mineral output. Heavy industries are prevalent only in a few cases, as in India, where a twenty-fold expansion between 1950 and 1965 is expected as a result of large-scale state participation. In the same period industrial production is to be trebled, and state participation will be increased from 5 to 25%.

23. In Latin America, public financing of the basic energy sectors (electricity and hydrocarbons) has increased a great deal since before the war. The same is true of basic industries, particularly iron and steel and some chemical industries. Apart from these, however, state-owned industry plays a very small part, and a diminishing one at that during the last five years of expansion of private enterprise. Public investment in industry as a whole was of the order of 10% in Argentina and Chile, and 5% in Brazil and Mexico. In nearly all cases this was mainly in oil refineries and iron and steel, with a variable share in other industries.

24. By 1960 state enterprises in Latin America (excluding Venezuela) were producing three-quarters of the crude oil, and refining an even larger proportion, for domestic consumption. Ten years earlier, the figures were about half of this. In absolute terms this means an increase of over 300% in state oil production. In the sphere of electricity, installed capacity of state power stations rose from 15% of the total in 1946 to 60% in 1962, and state power stations are spreading everywhere in Latin America. They accounted for 5% and 50% of distribution over the same period. Iron and steel undertakings financed wholly or in part by governments, whilst small in size at the end of the war, now account for more than three-quarters of pig iron and over half of the rolled steel output, and are to be found in all the large and medium-size countries of the continent. The state plays a much smaller part in the production of basic chemicals (perhaps a quarter or a fifth) and does not even account for a tenth of total output of machinery and vehicles.

25. Where are the funds for industrial expansion in Latin America to come from ? This is one of the fundamental problems of development because possible conflicts with other sectors of the national economy (overlapping and balance) loom larger. In those countries in which this problem appeared in a more acute form (mainly Argentina and Brazil) similar methods of transferring public funds were followed. In both cases industrial expansion (exports especially) was subsidised implicitly at the expense of farming, and foreign exchange policy favoured industry. Financial aid to industry has been quite intensive, and takes the form of direct public investment or a considerable inflow of credits (domestic and foreign). Thus, for example, in Argentina and Brazil by 1960, the proportion of bank loans to industry was more than 40% of total, as compared with 30% and less before the war. This was a period of high industrial profits. It is difficult to estimate their magnitude, but there is indirect evidence, e.g. the high incidence of self-financing in industrial expansion in Argentina and Brazil, and the high proportion of foreign capital re-invested in industry.

26. A country in process of development cannot fail to be faced with

the task of reconciling partly conflicting aims. Consequently, in order to achieve the best results from its industrial development policy, to obtain maximum benefit, its approach to the problem must be co-ordinated and single-minded. It is vital that a country should possess a development organization which, after complete analysis and diagnosis of the situation, can view as a whole the different aspects of the industrialization process and take positive measures to build up the industrial structure without falling back on "protectionism" and "prohibitionism", which are now standard practice in many countries.

27. In the early days, industrial development policies were haphazard, local or specific, without any attempt at functional and integral co-ordination. This is still the case in many Latin American countries. Even when there are policies of economic development, they do not include industrial promotion. Regional development (provincial or federal) is unilateral and not in accordance with any valid plan. The promotion of industries within a given sector is generally based on their use of local materials or, as in some cases of strategic importance (iron and steel), their contribution to foreign exchange, etc. An unimaginative development policy follows a familiar course: protection mainly and essentially by tariff barriers, or exemption from taxes. When widely applied, it loses any incentive value it might have had as regards the siting of new industries and the type of goods produced. As a result, and despite general awareness that industrial development must be planned, it has been inorganic, its measures conflicting and costs higher than necessary.

28. No country in Latin America so far possesses the kind of organization envisaged above. At the most, there is a vague plan of industrialization, but the necessary instruments have not been simultaneously adopted to carry out the plan within these basic concepts. Usually, there are separate plans for promotion of the different branches of industry, and no attempt is made to judge their effects on the rest of the economy. Too frequently only the quantitative aspect - volume of production - receives attention. In few cases, perhaps even none, consideration is given at the same time to the social cost which, if it were excessive, could make the whole process of industrialization uneconomic.

29. To investigate the results of industrial development policy, it would be necessary to know the magnitude and effects of the various measures taken to implement it in each branch. Such an analysis would provide a valuable yardstick by which to judge the best methods of meeting specific needs and the intensity, duration and timeliness of their application. It is almost certain that fundamental objectives can be achieved with the greatest economic advantage to the community without recourse in every case to all the proposed measures of development. A careful selection of those which will ensure the most efficient use of the factors of production is therefore essential. We feel that there are in many countries enough experts to formulate this type of industrial development policy, and they must accept the idea that development is a succession of organically linked phases during which the timely and selective establishment of key industries (for example, essential unfinished goods and some capital goods) takes place, giving

momentum to the process and ensuring its optimum propagation.

30. To avoid misunderstanding, it must be pointed out that these views have nothing to do with outmoded standards, whose strict mechanical application would leave the less developed countries beyond the reach of all industrialization, especially heavy industry. What is suggested here is that the industrial process should be integrated, as and where suitable, by the establishment of a basis of heavy industry, but so as to produce optimum results with minimum costs.

31. To sum up: unlike earlier periods, this is a time when governments are beginning to embark on policies of the deliberate promotion of industry. However, none has succeeded in drawing up a totally congruent, integrated and rational structure, although general and specific instruments of great usefulness have been forged. Conflicts have arisen between policies at different levels and in different spheres, many still unresolved, thereby mutually mitigating and nullifying their advantages. To achieve maximum efficacy in the economy as a whole and in each sector, these policies must aim at overall compatibility, maximizing profits and harmonizing economic and social aims, national and regional aims and general and industrial aims. In this process, positive policies of development must be founded inter alia on inter-industrial and regional integration (based on the rational siting of industrial and economic complexes).

	Consumer goods			Auxiliary industries		
	Non durable	Durable	Industrial goods	Engineering	Chemicals	Unfinished products
Industrial stage	Incipient	More advanced	Advanced	Advanced	Advanced	Very advanced
Capital - density	Less	Average	More	Average	More	More
Labour - density	More	Average	Less	Average	Less	Average
Techniques	Known & simple	Average complexity	More complex	Average complexity	Very complex	Complex
Specialization	Relatively little	Rather more	Considerable	Average	Very considerable	Considerable
Dependence on imports of unfinished materials	Average	Great	Great	Great	Variable	Very little
Foreign technical and financial participation	Not needed	May be needed	May be needed	May be needed	May be suitable	May be suitable
State participation	Not needed	Not needed	May be needed	No	May be needed	Yes
Special measures of assistance, or technical assistance	Not needed	Not needed	May be needed	May be needed	Yes	Yes

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